



# CREDIT Union Lines

TOOLS AND RESOURCES FOR CREDIT UNIONS • MAY 2013

## THE BLUE PAPER

of the Month

**“BANKS HAVE GIVEN CREDIT UNIONS A TAILOR-MADE OPPORTUNITY TO SHOW HOW MUCH BETTER WE ARE”**

**Question #1:** What’s illegal in 11 states, including New York, but is still being offered in these states at 20,000 locations?

**Question #2:** What product is bringing in almost \$40 billion a year even though it’s outlawed in more than one-fifth of the country?

**Question #3:** Thousands of emails have been sent out from CREDO Action asking recipients to send federal bank regulators signed petitions to stop big banks from taking a part in what program?

**Question #4:** What major banks are assisting in this questionable operation? (HINT: JPMorgan, Wells Fargo, Bank of America, U.S. Bank, Fifth Third Bank, Regions Bank, and Chase.)

A new report from the Center for Responsible Lending released in March showed how six of the major banks in this country are working in conjunction with storefront payday loan offices to offer loans pitched as “advances on direct-deposit paychecks.”



“At first glance, the loans do not seem like a typical payday loan. Instead, banks typically allow a customer to borrow the money against a checking account. When the loan payment is due, the bank automatically withdraws the amount of the loan with interest that averages 225 to 300 percent.”

But the practice has been exposed, and the bad publicity is in full swing. So once again, banks get the black eye and we get the white hats.

Read about all of this in the May issue of the AIL Blue Paper. It’s titled **“BANKS HAVE GIVEN CREDIT UNIONS A TAILOR-MADE OPPORTUNITY TO SHOW HOW MUCH BETTER WE ARE.”** ♦

For your complimentary copy, just contact your AIL representative or call the AIL Credit Union Center at 800-278-6661.

### Trends and Topics

#### AT CUs, FREE CHECKING IS THE RULE, NOT THE EXCEPTION

Although free checking may be a vanishing concept among banks, that’s not the case at credit unions. Bankrate’s [Bankrate.com](http://Bankrate.com) 2013 Credit Comprehensive. Objective. Free. Union Checking Survey shows that 72 percent of credit union checking accounts remain free, down just 6 percentage points since 2010. Meanwhile, the percentage of free checking accounts at banks dropped from 65 percent to just 39 percent from 2010 to 2012, according to Bankrate’s most recent checking data from banks.

“Free checking is something that credit unions pioneered way back, and I believe that the motivation for them to continue to keep that is a competitive one,” said Ted Thames, Senior Director at Cornerstone Advisors, a financial industry consulting firm in Scottsdale, Arizona.

For credit union checking accounts that do have a monthly fee, it’s very likely you can get around it, said Greg McBride, Bankrate’s Senior Financial Analyst. “Even in the

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## Trends and Topics

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absence of a checking account that's free on a stand-alone basis is the nearly universal ability to get that fee waived through something like direct deposit, e-statements, transaction activity, or some combination thereof." Overall, 96 percent of credit union checking accounts are free or can become free if members meet certain conditions.

It wasn't just monthly maintenance fees where credit unions show a distinct advantage in Bankrate's survey.

### NEW JERSEY, MINNESOTA CUs TOPS IN PRIVATE STUDENT LENDING

Almost 21 percent of the 203 credit unions in New Jersey, or 42 credit unions, are originating private student loans. Private student lending in Minnesota comes in a close second, with 20 percent, or 27, of the state's 135 credit unions participating. Pennsylvania has the highest number of participating credit unions — 62 — although that number represents just 12 percent of the total. Massachusetts has the highest total volume of private student loans outstanding. The state also boasts three of the top 10 lenders, including Digital Credit Union in the number 1 slot. The data was generated by Callahan & Associates' Peer-to-Peer Software. ♦

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Credit Union overdraft fees, known as NSF fees for nonsufficient funds, average \$26.74 at credit unions, compared to \$31.26 at banks.

Credit union checking accounts are also more lenient when it comes to using other financial institutions' ATMs. Nearly a third of credit unions do not charge a fee for using another institution's ATM or waive at least one such fee per week. Those that do require a fee typically charge \$1 or \$1.50, whereas banks usually charge \$2. ♦

### TOP 10 STUDENT LENDERS

DATA AS OF DECEMBER 31, 2012

Rank	State	Name	Total Private Student Loans Outstanding
1	MA	Digital	\$104,326,291
2	WI	University of Wisconsin	\$73,894,378
3	NJ	Affinity	\$69,343,970
4	IN	Eli Lilly	\$61,284,858
5	TN	Eastman	\$56,945,850
6	WA	BECU	\$53,392,708
7	MA	Massachusetts Institute of Technology	\$53,352,121
8	MA	Harvard University Employees	\$49,689,127
9	NC	Coastal	\$47,380,805
10	MI	University of Michigan	\$43,971,595

Source: Callahan & Associates

## Technology Report

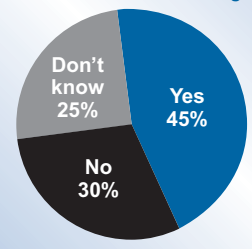
### POPULARITY OF TABLET BANKING ON THE RISE

Fiserv's 2012 Consumer Trends Survey reveals that consumers are increasingly gravitating toward online and mobile channels for daily financial management, and that tablet banking services will be increasingly in demand.

According to the survey, 19 percent of online households owned a tablet and another 20 percent expected to purchase one. In addition, multi-tablet households were shown to be emerging, with 37 percent of households that already own one tablet stating that they planned to buy another.

Current and future tablet owners expressed interest in using their tablet to access financial services, with 45 percent saying they would like to use their tablet for banking. When asked which banking services they would like to access via tablet, consumers chose view monthly statements (69 percent), pay bills (56 percent), view real-time account information (50 percent), and transfer money between accounts at the same financial institution (49 percent). ♦

Among Respondents Who Are Tablet Owners or Future Owners: Would You Like to Access Online Banking?



Source: Fiserv Consumer Insights

### CU'S LIVE MOBILE CHAT IS A HIT WITH MEMBERS

San Diego Community Credit Union launched its mobile banking platform in 2009, adding a mobile chat feature to the site a year later to better assist its online customers. That feature has proven increasingly popular with members.

Live chat allows members to chat via the website with an SDCCU representative. The user simply types a question into the chat box and an SDCCU representative responds in real time via a secure instant message. A blue Chat Now button means the member can click to get started. A green stand-by button means all agents are busy. The service is available during normal business hours.

Mobile chats tend to be shorter interactions and to relate to basic information — such as branch location addresses, hours of operation, and simple account questions. They are also cheaper compared to traditional member phone support.

"It's important for SDCCU to stay ahead of the curve and leverage innovation and technology to differentiate our banking experience," said Executive Vice President of Information and Technology Heather Moshier. "We're one of the first financial institutions to offer a mobile chat service." ♦



Live Chat  
Click Here >>



**San Diego County  
Credit Union**

## Marketing Tips of the Month

### NEW PROGRAM OFFERS FINANCIAL EDUCATION FOR YOUTH

CommonWealth One Federal Credit Union in Alexandria, Virginia, has launched a unique new program called THE CENTSABLES, designed to teach youth valuable financial education lessons using a multi-media platform.

The CENTSABLES combines entertainment and education through a savings program for youth, an interactive website with a parent section (also offered in Spanish), a comic book series, and free teacher lesson plans with student activity pages focusing on math skills. The concepts of money, how value is determined, basic economics, and investing are



CommonWealth One explored on an age-appropriate level for 6-11 year olds.

The CENTSABLES are six super-hero friends who, though their everyday adventures and examples, teach sound

money concepts and positive behavior.

Suzie Cook, Vice President,

Marketing & Business Development, stated, "The CENTSABLES program reinforces our commitment to be our members' lifetime financial partner, and this partnership begins when they are young. The characters grab and keep the attention of today's youth while also appealing to their parents for the educational and positive messages they deliver." ♦



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## Legislative Dispatch

### WHITE HOUSE SEEKS MORE FUNDING FOR WALL STREET REGULATORY AGENCIES

The Obama Administration's budget proposal for the coming fiscal year asks Congress to increase funding for agencies that regulate Wall Street under the 2010 Dodd-Frank financial overhaul. Congress rarely passes a presidential request in its original form, however, leaving the fate of the agencies' funding for Fiscal Year (FY) 2014 in question.

The administration wants to increase the spending for the Consumer Financial Protection Bureau in FY 2014 to \$497 million from \$344 million appropriated in FY 2012. In addition, the president's budget proposes a 54 percent increase in funding for the Commodity Futures Trading Commission and a 27 percent increase for the Securities and Exchange Commission from FY 2012 spending. SEC officials pointed out that the president's request would not cost taxpayers because the commission collects user fees.

"These funds will help assure that our financial markets continue to be the world's safest and most efficient while providing needed capital for jobs," said new SEC Chairman Mary Jo White. "And these funds would do that without increasing the federal deficit."

The administration "continues to vigorously support the protection of American consumers and investors, including through the new Consumer Financial Protection Bureau's efforts to protect consumers and penalize bad actors in the financial services marketplace," the administration's budget proposal stated.

The president's budget plan also proposes that banks be required to pay a fee, called the Financial Crisis Responsibility Fee. The fee would be based on the covered liabilities of a financial institution. It would apply to U.S.-based bank

holding companies, thrift holding companies, some broker-dealers, companies that control them, and insured depository institutions. U.S. companies that own or hold a controlling share of such institutions as of January 14, 2010 would also be subject to the fee.

The president's budget plan calls for continued winding down of the Troubled Asset Relief Program and notes that the full estimated cost of TARP to taxpayers has been lowered to \$47.5 billion from the previously anticipated \$341 billion price tag.

"The president's budget is based on the conviction that an agreement to put our nation on a sound fiscal course is within our reach," said Treasury Secretary Jacob J. Lew, "and that we can achieve that goal while making targeted investments to strengthen the economic recovery, create jobs, and lay the foundation for long-term growth." ♦

### FANNIE MAE REPORTS RECORD PROFITS

Fannie Mae, which has been under government conservatorship since September 2008, reported \$7.6 billion in profits for the fourth quarter of 2012 and a record \$17.2 billion for the year, a sign that the mortgage crisis may be over. The announcement comes a month after Freddie Mae, also taken over in 2008, reported a \$11 billion profit for 2012.

"Our financial results improved significantly in 2012, and we expect our earnings to remain strong over the next few years," said Timothy Mayopoulos, President of Fannie Mae. "We have taken a number of actions since 2009 to manage our legacy book of business, build a healthy new book of business with responsible underwriting standards, price appropriately for risk, and reduce uncertainty by resolving outstanding issues. These actions have helped to strengthen our financial performance and to support the housing recovery by enabling families to buy, refinance, or rent a home during the housing crisis." ♦

## Marketing Tips of the Month

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### CU INTRODUCES CASH BACK DEBIT CARD REWARDS

While many financial institutions have discontinued their debit card rewards programs and started charging monthly fees for checking accounts, FedChoice Federal Credit Union in Lanham, Maryland, has taken the opposite approach.

Starting April 1, 2013, FedChoice members may earn cash back — as much as \$200 per year — when they swipe and sign for debit card transactions. Signature (non-PIN) transactions include purchases made at their favorite merchants, over the phone, or online.



Signature transactions are also more secure, since they are covered by a liability fraud protection policy. Further, when paired with free checking, the account requires no minimum deposit, no monthly balance requirements, and no monthly fees.

“Swipe & Sign is a win-win for our members” says Ed Campbell, eServices Manager. “During particularly trying times, this program presents another opportunity for FedChoice to help federal employees and their families or household members to save more of their hard-earned money.” ♦

### CU PRESENTS \$25,000 TO BUSINESS MODEL COMPETITION WINNER

The Greenlight Business Model Competition, a partnership between Michigan State University Federal Credit Union and Spartan Innovations, brings together businesses that have been in existence for one year or less and new student-run start-up ventures.

Entrepreneurs from all over the State of Michigan come to the East Lansing area to pitch their ideas to a panel of judges, with chances of winning up to \$50,000 in prizes along with the opportunity to network with investors from throughout the state. This year’s competition offered more than \$50,000 in prizes. Participants were judged on best pitch, fastest growth potential, best idea for Michigan, most creative, and most needed in the marketplace. Three endowments were designated for undergraduate students.

The grand prize of \$25,000, sponsored by MSUFCU, went to Kymeria Advanced Materials, which is developing new chemistry for ceramics.



“MSUFCU was proud to sponsor the Greenlight Competition

### Serving the Community



this year and invest in a program that will bring new businesses to Michigan to help improve our economic conditions statewide,” said April Clobes, the credit union’s Executive Vice President and Chief Operating Officer, who also served as one of the judges. ♦

### CU Hosts HEY CUPCAKE! TRUCK

Members of United Heritage Credit Union and local residents in Austin, Texas enjoyed delicious cupcakes last month from the Hey Cupcake! mobile “entertainment”



cupcake truck at the United Heritage Manchaca branch. The truck was on site from 11:00 am to 7:00 pm and sold more than 330 cupcakes.

The credit union planned to host the Hey Cupcake! truck to serve up sweet treats at other select Austin-area United Heritage branches over the following weeks. ♦



**United Heritage**  
Credit Union



**Comments? Suggestions? Questions?**

**Call the Credit Union Center Hotline:  
1-800-278-6661**